



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

KWM 003/2561

November 13th, 2018

Subject : Management Discussion and Analysis for the quarter ended September 30, 2018

To : President

The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the “Company”) would like to submit management discussion and analysis for the quarter ended September 30, 2018 with details as follow;

unit: million baht

Items	3-month periods ended 30 September				changes	
	2017		2018			
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	70.78	100	63.07	100	(7.71)	(10.89)
Cost of sales of goods	51.43	72.66	45.52	72.17	(5.91)	(11.49)
Gross profit	19.35	27.34	17.55	27.83	(1.80)	(9.29)
Other income	1.11	1.57	2.17	3.44	1.06	95.50
Profit before expenses, finance cost and taxes	20.46	28.91	19.72	31.27	(0.74)	(3.61)
Distribution costs	1.42	2.01	1.18	1.87	(0.24)	(16.86)
Administrative expenses	9.79	13.83	10.34	16.39	0.55	5.62
Profit before finance cost and taxes	9.25	13.07	8.20	13.00	(1.05)	(11.34)
Finance Cost	1.00	1.41	1.52	2.41	0.52	51.81
Profit before income tax expenses	8.25	11.66	6.68	10.60	(1.57)	(19.00)
Tax income	0.12	0.17	0.36	0.57	0.24	200.00
Net profit	8.37	11.83	7.04	11.17	(1.33)	(15.86)

1. Revenue from sales of goods

For the 3-month period ended 30 September, 2018, the Company and its subsidiary’s revenue from sales of goods decreased in the amount of 7.71 million baht or 10.89% of same period of 2017 which mainly resulted from a drop of sales from most of Company’s products except for product ‘Screw flight’ that had slightly increased in



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

this period. Due to the fact that the trend of ploughing season in 2017 and 2018 were a bit different. In 2017, the Company received a great number of orders from customers for products that use in soil preparation process such as Discs and Dozer blades during May – August. While in 2018, most customers' orders for products that use in soil preparation process were received mostly during March – June. However, when considered the revenue from sales of goods for the 9-month period ended 30 September, 2018, there is a growth in overall performance with 18.65% when compared to the sales of 9-month period of 2017 which was resulted from supporting factors of both weather condition and water level that were favorable for agricultural products to be produced and the expansion in agricultural economics.

2. Cost of sales of goods and Expenses

- 2.1. Cost of sales of goods for the third quarter of 2018 was decreased by 5.91 million baht or 11.49% when compared with the same period of last year which was in accordance to a decrease in sales revenue in this period. However, the Company has a better performance in gross profit margin from 27.34% to 27.83% in this period. Mainly came from the fact that there is more proportion in sales of screw flight in this period, from 30.83% of Sales in Q3/17 to 35.33% of Sales in Q3/18, since Screw flight has the best gross profit margin from all of Company's products.
- 2.2. Distribution costs for the 3-month period ended 30 September 2018 was 1.18 million baht, decreased by 0.24 million baht from the same period of previous year, consistent with a drop of sales in this quarter.
- 2.3. Administrative expense for the 3-month period ended 30 September of 2018 was in the amount of 10.34 million baht, increased by 0.55 million baht or 5.62% from the same period of 2017. The increased mainly came from loss on disposals of fixed assets in the amount of 1.35 million baht. While other administrative expenses such as depreciation expenses of 2nd Factory is lower in this quarter. Due to the fact that the Company started to run production in 2nd Factory for commercial in July 2018 with the capacity of 25% from full capacity, resulted to the remaining 75% of depreciations expenses to be recognized partially in administrative expenses. Whereas in the same period of last year, those expenses were fully recognized in administrative expenses. The net result from an increased in loss on disposals of fixed assets and lower in depreciations, causing a slight increased in the administrative expenses for the third quarter of 2018.

3. Finance costs

Finance cost for the 3-month period ended 30 September 2017 and 2018 were 1.00 million baht and 1.52 million baht or 1.41% and 2.41% of revenue from sales which was increased by 0.54 million baht or considered increased by 51.81% from the same period of 2017. This mainly came from an increased in short-term loan from financial institutions that was occurred in first quarter of 2018.



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

4. Net Profit

For the 3-month period ended 30 September 2018, the Company financial statement represents net profit in the amount of 7.04 million baht or considered as net profit margin of 11.17%, decreased from the same period of last year by 1.33 million baht or 15.86% of net profit from same period of 2017. The main reason was from a decrease in revenue from sales and a rise in administrative expenses.

5. Statement of financial positions

Items	31 Dec 2017	30 Sep 2018	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	342.99	512.98	169.99	49.56
Trade and other account receivables	6.89	162.79	155.9	2,262.70
Inventories	34.55	40.75	6.2	17.95
Property, plant and equipment	119.41	120.94	1.53	1.28
Total Liabilities	171.52	171.64	0.12	0.07
Bank overdraft and short-term borrowings from financial institutions	9.97	16.12	6.15	61.69
Trade and other account payables	131.95	176.71	44.76	33.92
Current portion of long-term borrowings	74.18	115.81	41.63	56.12
Long-term borrowings	21.9	27.89	5.99	27.35
Total shareholders' equity	9.49	9.49	-	-

As of September 30, 2018, the Company and its subsidiary's total assets increased in total amount of 169.99 million baht, or 49.56% compared to total assets as of December 31, 2017. The rose up in total assets of the Company and its subsidiary was mainly from increased in cash and cash equivalent that the Company received from share issuance amounted to 156 million baht.

Trade and other account receivables as of September 30, 2018 increased in the amount of 6.20 million baht or increased 17.95% when compared to trade and other account receivables as of December 31, 2017. This increment is in accordance to the higher in revenue from sales in quarter 3/2018 when compared to sales during last quarter of 2017.

Other non-current assets as of September 30, 2018 increased in the amount of 6.15 million baht or increased 61.69% when compared to other non-current assets as of December 31, 2017 which was mainly came from a payment for advance of Quenching Furnace machine.



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

As of September 30, 2018 the Company and its subsidiary had an increased in bank overdraft and short-term borrowings from financial institutions in the amount of 44.76 million baht from prior period. Due to an increased in short-term loan from financial institution in the amount of 50.00 million baht with an objective to pay dividend to shareholders in order to claim the tax exemption benefit from BOI within the exemption period.

As of September 30, 2018 the Company and its subsidiary had trade and other account payables in the amount of 27.89 million baht, increasing by 5.99 million baht or 27/35% from trade and other account payables from previous year which was in accordance to the fact that the Company purchased more of raw materials for production and more use in surface hardening services for screw flight that resulted to trade account payables to be increased.

As of September 30, 2018 the Company and its subsidiary had the proportion of current portion of long-term loan to total equity of 2.82%.

As of September 30, 2018 the Company and its subsidiary had the proportion of long-term loan to total equity in the rate of 3.34%. The decrease in long-term loan of the Company and its subsidiary was resulted from the continuous growth of the Company's performance and the sufficient liquidity that led to the repayment of long-term loan from financial institution.

Total shareholder's equity of the Company and its subsidiary as of September 30, 2018 was in the amount of 336.27 million baht, the change mainly came from an increase in net profit from the Company's performance and also the fact that the Company issued 120 million ordinary shares at 1.30 baht in this quarter. The Company received cash from share issuance amounted to 156 million baht which consisted of paid-up share capital amounting to 60 million baht and share premium amounting to 86.50 million baht (after deducted expenses relating to capital increase).

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited